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February 18, 2011

BY COURIER & RESS

Ms. Kirsten Walli, Board Secretary
Ontario Energy Board
2300 Yonge Street, 26th Floor, P.O. Box 2319
TORONTO, ON M4P 1E4

**Re: IRM 2011 EB Number: EB-2010-0094 Reply Submission
Kitchener-Wilmot Hydro Inc. Application for Approval of 2011 Electricity
Distribution Rates, Licence No. ED-2002-0573**

Dear Ms. Walli:

On November 12, 2010, Kitchener-Wilmot Hydro Inc., referred to herein as the Applicant, filed its Application for 2011 Rates. Kitchener-Wilmot Hydro Inc. now submits its Reply Submission in response to the Submission of Board Staff filed February 4, 2011.

As a result of adjustments made to the rate riders generated by the Board's Deferral and Variance account model, the estimated bill impact for residential customers consuming 800 kWh per month would result in an increase in the total bill of 0.6% or \$0.61.

A copy of this package has been electronically filed through the Ontario Energy Board's RESS system. The original has been couriered to the Board's offices.

Should you require any further information or clarification of any of the above, kindly contact myself or Margaret Nanninga, Manager of Finance at (519) 749-6177.

Respectfully submitted,

Original Signed by

J. Van Ooteghem, P.Eng.

President & CEO

Attachments

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*,
S.O. 1998, c.15 (Schedule B);

AND IN THE MATTER OF an Application by Kitchener-Wilmot
Hydro Inc. to the Ontario Energy Board for an Order approving just
and reasonable rates and other charges, effective May 1, 2011.

**KITCHENER-WILMOT HYDRO INC.
REPLY SUBMISSION**

TO

BOARD STAFF SUBMISSION

A. INTRODUCTION

1. Kitchener-Wilmot Hydro Inc. (“KWHI” or the “Applicant”) owns and operates the electricity distribution system located in the City of Kitchener and the Township of Wilmot.
2. On November 12, 2010, KWHI filed an application with the Ontario Energy Board (“the Board”) under section 78 of the Ontario Energy Board Act, 1998, seeking approval for changes to the rates that KWHI charges for electricity distribution to be effective May 1, 2011. The Board has assigned the File Number EB-2010-0094 to this Application (the “Application”), based on the 2011 3rd Generation Incentive Regulation Mechanism.
3. Most issues were resolved throughout the Interrogatory Process for this Application as noted by Board staff in its Submission to the Board dated February 4, 2011.
4. Throughout this Application process, KWHI has been conscious of and focused on minimizing impacts on its customers. In trying to minimize bill impacts to its customers, KWHI submitted a letter to the Board dated January 27, 2011, requesting that disposition of its Deferral and Variance accounts (net of global adjustment) be deferred until 2012. See excerpts below:
 - *KWHI currently has a credit rate rider approved by the Board through its 2010 Cost of Service Application for all rate classifications except for its Embedded Distributor. The removal of this rate rider will have a significant rate impact*

upon removal on April 30, 2012. This rate rider was approved for a 24 month period for a total credit of \$5,773,603 or \$2,886,802 per year. The annual reduction from this credit rate rider of \$.0019/kWh for a Residential customer using 800 kWh per month is \$18.24 per year (or 1.4% of the estimated 2011 total bill of \$1,310).

- *KWHI expects significant bill impacts to occur as a result of the Board's Decision in Hydro One Networks Inc. (HONI) Application for rates effective January 1, 2012 (EB-2010-0002). Exhibit 1 of the Decision shows an estimated 25% increase to HONI's Uniform Electricity Transmission Rates for 2012 (increase to the revenue requirement from \$1,299.5M to \$1,626.8M).*

It is KWHI's concern that if an additional credit Deferral and Variance account rate rider is implemented through this Application process, the bill impacts will be significant due to the removal of two (2) credit Deferral and Variance Account rate riders on April 30, 2012, coupled with the bill impacts stemming from the increase to HONI's Transmission Rates (plus any additional RPP rate increases that may occur).

5. In its Submission to the Board, Board staff disagreed with KWHI's proposal to defer disposition of its Deferral and Variance accounts (net of global adjustment) submitting that its proposal is not consistent with the policy outlined by the Board in its EDDVAR Report.
6. Board staff submitted an alternative to KWHI's proposal. The suggestion was for KWHI to dispose of the Group 1 deferral account balances and the global adjustment sub-account balance over a two year period (24 months), rather than over a 12 month period.
7. Based on the unaudited balances of its Group 1 accounts as at December 31, 2010, KWHI believes that its balances would not pass the threshold test in 2012 to qualify for clearance and the credit that could have been returned to its customers in 2011 would be deferred once again (assuming the Board had accepted KWHI's proposal to defer the clearance of the accounts in 2011).
8. As KWHI wishes to reduce the bill impacts for 2012 that will occur due to the removal of its current Deferral and Variance account rate rider, KWHI supports Board staff's alternative and requests the Board to approve clearance of KWHI's Group 1 deferral account balances and the global adjustment sub-account balance over a two year period.